

Medicaid Cost Report Preparation

South Carolina Department of Disabilities
and Special Needs

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Chief Financial Officer

FINANCIAL & STATISTICAL REPORT FOR NURSING HOMES

FACILITY:
FROM 07/01/19 THRU 06/30/20

1. FACILITY DATA

a. NAME: MMIS No:
FACILITY LOCATION (STREET ADDRESS):
MAILING ADDRESS (STREET OR P.O. BOX): P.O. BOX 17467
CITY: STATE: ZIP CODE: E.I. NO:
PHONE (AREA CODE):

b. MEDICARE CERTIFIED: N/A MEDICARE PROVIDER NUMBER: N/A

c. TYPE OF CONTROL
PROPRIETARY
___Individual ___Partnership ___Corporation ___Sub S Corp
NON - PROFIT
___Church Related ___Other _____
(Describe)
GOVERNMENT
___State ___County ___District ___City ___Other _____
(Describe)

d. TYPE OF FACILITY
NF-NURSING FACILITY ___Free Standing ___Hospital Based
HOME OFFICE _____

2. ADMINISTRATOR DATA
NAME: LICENSE NO:

3. ACCOUNTING FIRM DATA
ACCOUNTING FIRM:
ADDRESS: PHONE:
CONTACT PERSON:

4. CERTIFICATION BY OPERATOR OF FACILITY AND PREPARER OF COST REPORT
Under penalties of perjury, I declare that I have examined this cost report, including
any accompanying schedule and/or statement, and to the best of my knowledge and belief,
it is true, correct and complete. Declaration of the preparer (other than facility
owners/personnel) is based on all information of which preparer has knowledge.

Owner's Signature Preparer's Signature Date

Agenda and Other

- Agenda
 - 10:00 am to 11:00 am – introductions/presentation
 - 11:00 am to 11:10 am – break
 - 11:10 am to 12:00 pm – presentation (continued)
 - 12:00 pm to 12:30 pm – lunch break
 - 12:30 pm to 12:45 pm – breakout into groups
 - 12:45 pm to 1:50 pm – workshop/case study
 - 1:50 pm to 2:00 pm – break
 - 2:00 pm to 2:50 pm – workshop/case study
 - 2:50 pm to 3:00 pm – wrap up/closing comments

Agenda and Other

- Mask usage
- Bathrooms
- Internet access
- Cell phones on vibrate or off
- Feedback requested – survey to be sent
- Materials to be shared on our Finance page
- CPE Credit

Learning Objectives

- Understand Medicaid's financial impact and involvement in services offered by your Agency
- Understand the contract language and certification statements related to filing of Medicaid cost reports
- Understand how all of the cost reporting comes together at Central Office
- Gain an understanding of some high level concepts of Medicaid cost reporting regulations
- Increase awareness of some high level Medicaid cost allocation considerations
- Learn about some provider level Medicaid cost reporting considerations and concepts
- Understand room and board and Medicaid cost reporting considerations
- Learn about some general Medicaid cost reporting pointers



\$705,000,000

Whoa! That's a big number!

Medicaid Funded Services

- ▶ Intermediate Care Facilities (ICF)
- ▶ Community Residential Care Facilities (CRCF)
- ▶ Community Training Homes 1 & 2 (CTH)
- ▶ Supervised Living 1 & 2 (SLP)
- ▶ CLOUS/CIRS Program
- ▶ Adult Day Programs (ADP)
- ▶ Supported Employment/Job Coach
- ▶ Enhanced Waiver Services
- ▶ Service Coordination/Case Management
- ▶ Early Intervention (EI)
- ▶ Miscellaneous Others

Medicaid Contracts Requiring Cost Reporting

- ▶ Intermediate Care Facilities (ICF/ID)
- ▶ Intellectual Disabilities/Related Disabilities (ID/RD) Waiver
- ▶ Community Supports (CS) Waiver
- ▶ Head and Spinal Cord Injury (HASCI) Waiver
- ▶ Service Coordination/Case Management
- ▶ Early Intervention

Contract Language with SCDHHS

SCDDSN is required to submit an original and one copy of an annual cost report on a form or in a format approved by SCDHHS to include actual allowable, necessary and reasonable cost and service delivery information for each service. Cost reports are required to verify actual costs and document certified public expenditures. This report must be completed and mailed to SCDHHS **by November 30th** of the subsequent fiscal year. A separate cost report shall be filed for each service period. SCDDSN is responsible for all unallowable costs.

Certification Statement by DDSN CFO

I do solemnly swear (or affirm) that I have examined the information contained in this request or report. That all information has been prepared from the books and records of SCDDSN. That the aforesaid information is true and correct to the best of my knowledge and belief; and, that no other request for reimbursement from other federal and/or state funds has been made nor has any other reimbursement been received, applied for, nor will they be applied for, for the services herein described. That SCDDSN has on file the proper documentation to support this request for reimbursement. And, that the costs represented are true costs incurred during the period of this request.

Provider/Preparer Certification by DSN Board

Under penalties of perjury, I declare that I have examined this cost report, including any accompanying schedule and/or statement, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of the preparer (other than facility owners/ personnel) is based on all information of which preparer has knowledge.

Requirement to Maintain Support

SCDDSN shall only be reimbursed for Medicaid deliverables directly related to Medicaid eligible and potentially Medicaid eligible Beneficiaries under this Contract. SCDDSN shall maintain detailed documentation and be able to provide such documentation, upon request by SCDHHS or its designee, to justify the costs billed by SCDDSN.

SCDDSN has the right and obligation to ensure that amounts reported are properly documented.

Provider Cost
Reports and
Cost Statements

SCDDSN
Regional Center
Costs

SCDDSN Central
Office Costs

Direct Billed
Costs, GGC,
Other Costs

All Information is
Aggregated,
Validated, and
Consolidated



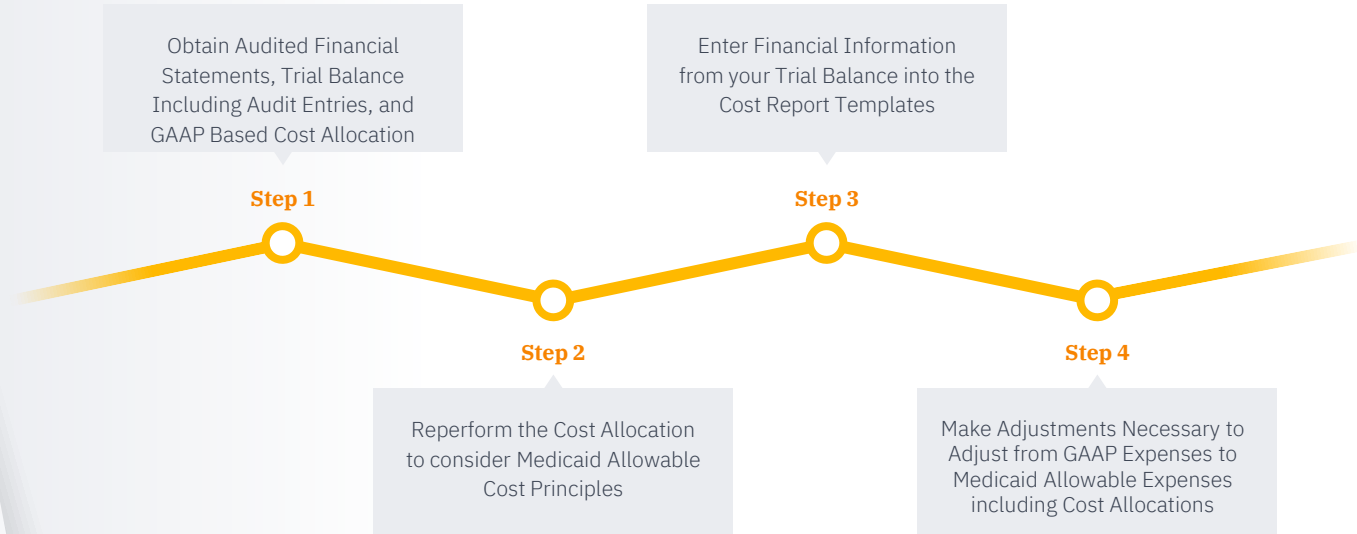
Final Cost Report
Application of Service Unit
Statistics – IDRD, HASCI, CS,
Medicaid vs. State



Foundation for Accurate Cost Reports

Transactional Awareness and
General Ledgers

Medicaid Cost Reporting Process





Payroll and Accounts Payable Transactions

Training of staff controlling coding of transactions is key. Awareness of the end game is necessary.

Start with the end in mind!

Building for Reliable Cost Reporting



1 Annual Financial Reports

Awareness of generally accepted accounting principles, Medicaid allowable costs, and DDSN specific nuances.

2 Monthly Reporting

Monthly financial statements issued. Closely reviewed with the end in mind. The end = GAAP compliant year-end financial statements and Medicaid compliant year-end cost reports.

3 Daily Transactions

Coding of invoices, payroll transactions, journal entries, and deposits. Ensure chart of accounts is structured with the end goal in mind. Persons coding transactions need training and/or oversight.



Let's Review Some Medicaid Concepts

Provider Reimbursement Manual Pt 1

- ▶ Depreciation – Ch 1
 - ▶ Maximum capitalization threshold = \$5,000
 - ▶ Useful lives – assets before 1/1/81 can use IRS lives; assets on or after 1/1/81 must use AHA guidelines
 - ▶ Useful lives are minimum years
 - ▶ Must use straight-line depreciation
 - ▶ Year of acquisition and disposal – half-year or actual time
 - ▶ Claim depreciation on DDSN grant funded assets
 - ▶ Cannot claim depreciation on assets funded by federal government – FEMA generators, DOT vehicles, etc
 - ▶ Should be considering salvage value in establishing depreciable basis
- ▶ Asset Disposals – Ch 1
 - ▶ Asset retired from active service but held for standby or emergency can still be depreciated
 - ▶ No Gain or Loss from sale or scrapping of asset is recognized §130
 - ▶ Special rules on replacements §132
 - ▶ Special rules on involuntary conversions – total vs partial §133
- ▶ Pension Expenses – Defined Benefit – Ch 21
 - ▶ Can only claim payments made to the plan on a cash basis §2142.6A.
 - ▶ Amounts payable at year end are not countable. Amounts not clearing the bank are not allowable.
 - ▶ Net Pension Expense is not allowable

Let's Review Some Medicaid Concepts

- ▶ Other Post-Employment Benefits (OPEB) – Ch 21 §2162.9
 - ▶ Expense limited to amounts actually paid.
 - ▶ Accruals permitted if paid within 75 days after the end of the year (Sept 13th for June 30 reporters).
 - ▶ Payments to OPEB Trust based on actuarial study are countable.
 - ▶ Excess funds paid to OPEB Trust are not countable.
- ▶ Interest Capitalization – Ch 2 §206
 - ▶ Interest costs incurred during the period of construction must be capitalized as part of the cost of the facility.
- ▶ Related Organizations – Ch 10 §1005
 - ▶ Costs incurred by related party treated as if incurred by the provider as to allowability
 - ▶ Cost to provider is limited to cost of related party
- ▶ Unallowable costs – Ch 21 §2105
 - ▶ Cost of meals for executives or management in excess of costs provided to ordinary employees
 - ▶ Gifts and donations
 - ▶ Entertainment expenses – tickets to events, alcoholic beverages, golf outings, entertainers, etc. Costs for employee morale are permitted if reasonable (picnic, Christmas party, Agency bowling team, etc)
 - ▶ Personal use of Agency vehicles 2 CFR § 200.431 f – even if reported as taxable income
 - ▶ Fines or penalties
 - ▶ TV, Cable, and Telephone in consumer rooms – ICF vs. Non-ICF
 - ▶ Interest Expense 2 CFR §200.449 – cost incurred for borrowed capital

Let's Review Some Medicaid Concepts

- ▶ Unallowable Costs (Cont)
 - ▶ Costs related to political activities
 - ▶ Lobbying activities
 - ▶ Organization dues related to political and lobbying activities §2193.3
 - ▶ MEC assessments under ACA
- ▶ Direct assignment of allocable costs must use “actual auditable usage”. Estimates including statistical surrogates (such as Sq Ft) are not acceptable. Time studies are not acceptable. Ch 23 §2307.A
- ▶ Indirect Cost Allocation – Ch 23
 - ▶ Must use the step-down method to allocate costs
 - ▶ Any changes to cost finding or order of allocations must be approved by SCDDSN §2313
- ▶ Ultimately total costs are distributed to payor source based on underlying participation – state funded, private pay, Medicaid, etc.
- ▶ Room and Board costs – including administrative costs – are not allowable for non-ICF placements.
- ▶ Non-Medicaid operating revenues must be used first.
- ▶ HUD projects are required to be consolidated into ICF cost reports.
- ▶ Supported Employment allowable costs do not include cost to transport consumers to and from work.

High Level Considerations

- ▶ Determine that cost of land and the portion of assets that are Federally financed or financed with grantee matching contributions have been eliminated from the computation.
- ▶ Depreciation methods other than the straight-line method should not be accepted unless the circumstances fully justify their usage (i.e., when it can be demonstrated that the assets are being consumed faster in the earlier years than in the latter years of their useful life).
- ▶ Unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable, in accordance with the Cost Principles 2 CFR part 200.413(e).
- ▶ MTDC exclude "any extraordinary or distorting expenditures," usually capital expenditures, subawards, rent, contracts, assistance payments (e.g., to beneficiaries), and provider payments. The direct cost base selected should result in each award bearing a fair share of indirect costs in reasonable relation to the benefits received from those indirect costs.

High Level Considerations

- ▶ The term “Modified” refers to certain exclusions of costs that must be removed from the total direct costs before the indirect rate is applied to each funding source/program. Costs to exclude:
 - ▶ Equipment
 - ▶ Capital expenditures
 - ▶ Charges for patient care
 - ▶ Rental costs
 - ▶ Participant support costs
 - ▶ The portion of each subaward in excess of \$25,000
 - ▶ Other items should be excluded when necessary to avoid a serious inequity in the distribution of indirect costs and with the approval of the cognizant agency (SCDDSN) for indirect costs. Such costs are excluded when calculating the indirect costs allocated because the activities require minimal administrative support.

High Level Considerations

▶ Example:

An SEA (DSN Board) receives a \$1,000,000 award from a federal agency (SCDHHS through SCDDSN). The purpose of the award is to have specific school districts conduct seminars on a new federal program. The SEA awards \$100,000 to each of 10 school districts. Each of the school districts is responsible for payroll, issuing contracts and purchase orders, acquiring and paying for supplies, reimbursement for travel, and other similar administrative costs. The only efforts the SEA (DSN Board) spends on these awards are providing electronic payments and reviewing end-of-year financial reports. The \$1,000,000 award is a “pass-through” and therefore excluded. There is minimal benefit these funds received from the SEA. For each school district, the expenditures are part of the base for calculating the indirect cost rate.

Some Cost Allocation Considerations

- ▶ GAAP basis cost allocation will most likely not work for Medicaid cost reporting.
- ▶ Sufficient cost pools to get the job done. Should have:
 - ▶ Administration
 - ▶ Shared facility
 - ▶ Maintenance
 - ▶ Adult Day Program – ICFs
- ▶ Should consider having these pools – §2307.A:
 - ▶ Residential management
 - ▶ Transportation
 - ▶ Quality Assurance
 - ▶ Nursing
 - ▶ Food Service
- ▶ Do not allocate vehicle or driver costs to ICFs if they provide their own transportation to/from Day Program – in Adult Day or Transportation pool?

Some Cost Reporting Concepts

- ▶ Must offset allowable costs with any other sources of revenues before claiming Medicaid allowable costs
 - ▶ Consumer Fees – meal charges, transportation charges, etc.
 - ▶ DOT/Other operating grants
 - ~~▶ Gain from disposal of assets~~
 - ▶ HUD revenues – consolidated ICFs
 - ▶ In-kind revenues
 - ▶ Insurance proceeds
 - ▶ Interest income
 - ▶ Local funds (unless used to pay for specific participants)
 - ▶ SCDHHS Optional State Supplement – costs already claimed
 - ▶ SCRS 1% Credit – if SCRS expense grossed up
 - ▶ USDA Food Program Revenues – if operating a meal program
 - ▶ Work activity
 - ▶ Miscellaneous

Some Cost Reporting Concepts

- ▶ Sources of revenue that should not offset expenses
 - ▶ Consumer Fees – Room and Board, Care and Maintenance
 - ▶ DOT/Other capital grants
 - ▶ Gain from disposal of assets
 - ▶ Local funds if used to pay for participant (s)
 - ▶ SCDDSN settlements
 - ▶ SCDDSN/SCDHHS other operating revenues
 - ▶ SCDDSN state funding – will use stats to separate costs
 - ▶ Third-party Day Program revenues – Provider claiming expense

Some Cost Reporting Concepts

- ▶ Some expenses must be removed/eliminated via journal entry
 - ▶ Adjustment to indirect costs allocated
 - ▶ Book vs. Medicaid allowable depreciation
 - ▶ Cost settlements/compliance settlements
 - ▶ Depreciation on federally funded assets
 - ▶ HUD expenses to the extent of HUD revenues
 - ▶ Loss on disposal of assets over \$5,000 in demolition/abandoned
 - ▶ Room and board expenses
 - ▶ Third-party Day Program expenses – Provider claiming expense
 - ▶ Unallowable costs
 - ▶ Unfunded OPEB – claim cash outlay of retiree premiums paid
 - ▶ Unfunded SCRS pension liability

Room and Board Gone Wrong

- ▶ “SC Claimed Some Unallowable Room and Board Costs Under the Intellectual and Related Disabilities Waiver” – Office of Inspector General September 2012 reviewing 2007, 2008, and 2009 cost reports

“The State agency claimed Medicaid reimbursement of \$5,176,347 (\$3,726,112 federal share) for unallowable room and board costs under the Waiver program that the Department operated.”
- ▶ “SC Claimed Some Unallowable Room and Board Costs Under the Intellectual and Related Disabilities Waiver” – Office of Inspector General April 2015 reviewing 2010 cost reports

“The State agency claimed Medicaid reimbursement of \$1,293,893 (\$1,029,033 federal share) for unallowable room and board costs under the Waiver program that the Department operated.”

Some Room and Board Concepts

- ▶ Not all telephone costs are room and board – cell phones, pagers, fax lines, etc
- ▶ Internet access if consumers use/benefit
- ▶ Transportation costs are not room and board – depreciation, insurance, maintenance/repairs, etc
- ▶ Insurance costs for building and contents vs. tort, vehicle, fidelity, etc
- ▶ Room and board costs stuck in intermediate cost centers
- ▶ Room and board must be allocated admin costs
- ▶ Minor equipment not always room and board – computers, printers, office desks, time keeping devices, etc.
- ▶ Property taxes/fees related to home only
- ▶ Interest expenses on home financing only

General Pointers

- ▶ Cost Reports are due September 30th
- ▶ One printed copy must be sent to SCDDSN
- ▶ Must provide all attachments to support the cost reports
- ▶ Can consolidate similar programs on Waiver cost reports, but must supply a consolidation schedule to support amounts per financial statements
- ▶ ICF requires separate cost report for each licensed facility
- ▶ Do not need to provide participation statistics on cost reports
- ▶ Related entity consolidations are required except for HUD projects in Non-ICF programs – all considered room and board costs
- ▶ Room and board type expenses may be allowable for some Waiver residential programs – CTH 1, SLP 1, SLP 2, etc
- ▶ Statewide respite/in-home supports recoupments – report on Schedule S of each Waiver under proper line
- ▶ Statistics used for allocations – consider timing of changes during the year
- ▶ Depreciation – recommend assets be split out into grant and non-grant portions for tracking. Also, consider identification of federal grant vs. state grant. May want to use software to maintain two calculations like book vs. tax or federal vs. state.

Coronavirus Relief Funds

- ▶ Paycheck Protection Program (PPP)
 - ▶ Forgivable Loan Program
 - ▶ 24 week Period for Expenses
 - ▶ Accounting standards revenue recognition
 - ▶ Medicaid Cost Reporting conflicts
- ▶ Provider Relief Funds
 - ▶ 2% of Medicaid Revenues
 - ▶ Accounting standards revenue recognition
 - ▶ Medicaid Cost Reporting considerations
- ▶ Other sources – EIDL and EIDL Advance; Others

Resource Listing

- ▶ Provider Reimbursement Manual
- ▶ Cost Allocation Training Materials
- ▶ Electronic Code of Federal Regulations
 - ▶ Title 1 – General Provisions
 - ▶ Title 2 – Grants and Agreements
 - ▶ Title 2, Chapter III – Department of HHS
 - ▶ Title 42 – Public Health
 - ▶ Title 45 – Public Welfare

Thanks!

Any questions?

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